

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 3457 - SB 3532

March 16, 2012

SUMMARY OF BILL: Transfers the Bomb and Arson Section of the Fire Prevention Division of the Department of Commerce and Insurance (TDCI) to the Tennessee Bureau of Investigation (TBI) by January 1, 2013. Requires the TBI Director to develop and present a transfer plan. Requires that all Bomb and Arson personnel transferred to the TBI retain their current civil service status and all benefits. Directs that all rules and regulations governing the Bomb and Arson Section remain in effect until modified or repealed by the TBI.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$283,600

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$628,400. The recurring funds shifted between TDCI and TBI is approximately \$2,878,800. The increase in expenditures of \$283,600 will be covered through the recurring funds that will shift from TDCI to TBI.

Assumptions:

- Based upon information provided by TBI and TDCI, the base salary for a TBI agent is approximately \$6,692 more than the salary for a Bomb and Arson special agent.
- Twenty-eight positions will be transferred. Employees transferring to TBI will become TBI agents. The average salary increase is estimated to be \$6,692 per agent. The recurring increase in state expenditures is \$221,984 [(\$6,692 salary + \$1,236 benefits) x 28 agents].
- According to TCRS, the total lump sum pension liability for TCRS will increase by approximately \$628,400.
- Pursuant to Tenn. Code Ann. § 3-9-103(b), TCRS utilizes a 20-year horizon for estimating annual amortized payments of pension benefits.
- Pursuant to Tenn. Code Ann. § 8-34-505, TCRS utilizes a 7.5 percent interest rate for estimating annual amortized payments of pension benefits.
- Assuming a 20-year horizon, a 7.5 percent interest rate, and an increased lump sum pension liability of \$628,400, annual retirement benefit payments from TCRS will increase by \$61,641 per year.
- The total recurring increase in state expenditures is \$283,625 (\$221,984 + \$61,641).

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- According to TDCI, there is not a dedicated revenue stream for the Bomb and Arson Section. It is currently funded from the Fire Prevention Fund, which funds all activities of the Fire Prevention Division with specific fire premium tax collections and statutory fees.
- Assuming the only funds transferred from TDCI to TBI will include only the budgeted amount for the Bomb and Arson Section, the recurring amount of funds shifted between agencies is approximately \$2,878,800.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/sbh